

CHAPTER 1

It's All About Who

IF YOU ASKED ME TO SUM UP EVERYTHING I KNOW IN THE FEWEST WORDS, I would do it in just four: “It’s all about who.”

All my adult life—from the businesses we started to the businesses we bought, from the charitable causes we’ve created to those we serve—I’ve been completely devoted to hiring and keeping extraordinary people. This isn’t just talk or wishful thinking. My belief in the power of exceptional leadership is the most important principle I follow.

If you studied the CEOs of the largest Fortune 500 companies, I’d bet that less than 10 percent of them would be on fire about this the way I am. Jack Welch and Bill Gates know this and are prime standard-setters. When Welch was CEO of General Electric, he said, “I don’t want GE to be known as the best product factory. I want it to be known as the best people factory.” Every world-class organization is indeed a people factory because everything depends on people. All the rest is commentary.

It’s why I also strongly believe in the ability of a single extraordinary person to change the world.

The forces that influence an institution the most are the human forces—the people who manage it, inspire it, lead it, and build it.

And success starts at the top. If you look at the history of the world, it's largely the history of exceptional people, for good or for bad—Abraham Lincoln and Winston Churchill, for good; Josef Stalin, for bad. Leadership is what makes an organization soar, or fly a flat line to mediocrity, or, sadly, plummet to the ground. The great institutions of the world—whether they are for-profit or nonprofit enterprises—are defined by the quality of their leadership and the people who follow those leaders.

When you have the right people in the right seats on the right bus, as Jim Collins puts it, something magical happens. Smart strategy, strong culture, and perfect execution tend to follow. When you have mediocre people leading your team, it negatively impacts strategy and culture, and perfect execution tends to be very unlikely.

Most people instinctively know this to be true. But many leaders do not make the commitment needed to build a team with only the best people. More often, organizations compromise. A company has open positions it needs to fill. They have three people to promote. They're under pressure from colleagues or customers to fill each job because work needs to get done. So they make the compromised choice. They interview a handful of outside applicants and say yes quickly to fill a position, or they promote someone from within who they're only mildly positive about. There is compromise everywhere. That's why there are so many B and even C players in so many important positions.

Sometimes, employers are not willing to pay up for the best talent. They seek to pay less than what's needed to acquire excellence. That is a poor trade when they could seek a highly qualified employee whose contribution to the organization can be worth many times the cost. Exceptional people are likely to produce more

growth and more benefit than people who are average and will work for less.

I don't settle. I will spend weeks, months, even years recruiting, sifting through available people to find the extraordinary. The dream of every leader should be to have the right person in the right job at the right time. It's a very challenging goal. Hiring and promoting are both highly subjective. Although we may never achieve perfection, that's what we should want.

Only recently, I waited four years to hire the person I wanted to succeed me as head of the Mandel Foundation. I had gotten to know Jehuda Reinharz, then president of Brandeis University, over the years. So had my wife, Barbara, who sits on the board of trustees at Brandeis. Jehuda had joined the Mandel Foundation board in 2005. In my book, he is a world-class educator, a widely respected scholar, a humanitarian, and an undisputed A player. So I pursued him for years before getting him to accept the job. I'll let Jehuda tell the story:

Mort's way of doing things is gradual. Four years ago, he began to broach this idea. I was visiting him in Palm Beach, and we went for a walk along the beach. He asked me what I planned to do after I left the presidency at Brandeis. I had been president for twelve years, and I had two years to go on my third five-year term.

"Let's talk about what you're going to do," Mort said. "Would you be interested in working with us?"

"Yes," I told him. "What do you have in mind?"

Over time, we started talking about more specific things. He asked me where would I want to live, how would I work with him, how much should I be paid. Two years prior to the end of my last term, we put together a list of the things we agreed to: how often I would see him, how we would communicate. It was very detailed.

I felt it was my duty to tell the board at Brandeis that this would be my last term. When I did, they started working on my wife, Shula, and me

and ultimately made a very sweet deal for me to stay a fourth term. I had to tell Mort immediately, of course, and I knew it was going to be a difficult discussion. I didn't want it to impact our friendship. There was no way I was going to do it on the phone. It was hard for me to disappoint him.

So I went to New York in the fall of 2008 to see him at his apartment. He did not get angry. He listened carefully. And then he said, "Tell me why."

I told him I wanted to finish some of the projects I started, and I wanted to make sure that all of the initiatives and programs already in place were in good shape. The conversation was very difficult for me, but Mort put me at ease. He didn't torture me. Before I left his apartment, he said to me, "I might try to find someone else." I left, started my fourth term at Brandeis, and it was as if nothing had happened. Half-jokingly, Mort would sometimes needle me and say, "I still like you."

Then, a year ago, I announced to the board I would leave early, before my last term was up. Mort knew immediately because his wife, Barbara, is on the Brandeis board. He called me and said, "Well, do you want to work with us now?"

My decision was to go with Mort. Frankly, I did so because I believe in what the Mandel Foundation does. He's enormously smart, and I respect him. I'm working for him because I believe in what he does. I felt enormously honored the first time around. He was willing to wait four years before my term was over.

Mort was so gracious. He said, "I have a list of candidates that consists of one person. That person would be a home run for me and for the foundation. It's you." When people knew I was leaving Brandeis, I had six other offers. When my wife asked, "Why Mort?" I told her that when I get up every morning, I want to be able to say that the person I'll be spending my day with is someone I respect and is fun to work with. That was critically important to me. I don't know anyone who works as hard at philanthropy as Mort does. He really believes he has made and will continue to make this a better world. I respect that.

To me, Jehuda was what I call an “enthusiastic yes.” He shares the vision and the passion that my brothers and I have for our philanthropic work. In January 2011, Jehuda started as president of the foundation. He is an exceptional leader who will not merely continue the foundation program but will enrich it. That’s worth waiting for, and that’s worth being enthusiastic about.

I have to rate a candidate as an enthusiastic yes to hire him or her. On occasion, I turn down a candidate recommended to me by my colleagues. I’m sure that my colleagues are sometimes frustrated by some of these decisions, but they trust me and ask, “What did I miss?” They know I’m focused like a laser on getting the absolute best person in the job. Every time I turn down a candidate who made it through a series of interviews, I’m also reminding everyone that hiring the best people in the world is what we’re all about.

There’s one mistake I made earlier in my business life when it comes to people: only hiring when there was a defined need. One day, I realized that if we could afford it, it’s just as important to hire exceptionally talented people even when you don’t have an opening. On occasion, when we found a gifted person, an A player beyond doubt, we’d hire her and “park” her in the organization. At first, we would just give the person something to do. Always, after a few months, she was working ten-hour days and making a big contribution. Inevitably, we found an important role for her, or she found it on her own. I never regretted hiring an A player.

What do I look for? Five key things, in this order.

1. Intellectual firepower
2. Values
3. Passion
4. Work ethic
5. Experience

I always put brainpower first because intellect is the most important of the raw materials we work with. From intelligence comes thoughtful analysis, asking the right questions, good judgment, and better decisions. I want the smartest people I can find to join our organization. High-potential people like to be with other high-potential people. When I interview candidates, I'll often ask them to bring me through their lives. I want to know what their family history is. I want to know how well candidates performed in high school and college. I want to know whether they also reached beyond their academic achievements to demonstrate some leadership potential.

Frankly, I want to know if their grade-point average (GPA) was 2.7 or 3.9 out of a possible 4.0. Even if they've been out of school for many years, a GPA can represent four years of evaluation, not a sixty-minute impression during a brief interview on a busy day. It may not be necessarily true that a 3.9 GPA will do better than a 2.7, but the odds are with you. Just like the manager of a baseball team who puts a right-handed pitcher on the mound to face a right-handed batter in a crucial at-bat, I play the odds.

So I'm looking for the Phi Beta Kappa, the captain of the debating team, the president of the student council. It's no coincidence that seventeen presidents of the United States, thirty-seven U.S. Supreme Court justices, and 131 Nobel laureates have been members of Phi Beta Kappa.

I'm also looking for the person who rose quickly in another organization and was rewarded with an important leadership job. What challenges did that executive overcome to get something meaningful done? How did that person apply his intelligence to the job to make something happen?

My hurdle for brainpower is high, but once it's jumped I'm on to the next most important attribute of success: values. Ultimately,

all the intelligence in the world isn't going to help a person who lacks basic integrity and compassion for other human beings. I'm looking for honesty, decency, respect, kindness, generosity, and consideration.

Getting a fix on a person's values is admittedly difficult. Values are easier to discern once you have a person on staff, but much harder to recognize in an interview. You have to sense them. I can pick up some fairly good clues by the way candidates speak about their parents, their teachers, their role models in life. I want people who have been inspired by others, who are generous in giving credit to those who made a difference in their lives. I'm looking for people who want to help others in need, who have demonstrated kindness and consideration to the disadvantaged. Some of this may be subtle. It's what you can interpret from a tone of voice or a face lighting up. But this tells me a lot about a person's purpose in life.

Passion has become an overused word in recent years. Still, it's the level of enthusiasm and interest in work and life that makes someone stand out above the rest. It's a fire that burns deeply within us. Once tapped, it can bring you to places that few other people can go.

Unlike values, passion is easy to spot. You either have it or you don't. There is a spirit or fervor in people who have passion. You can often feel their energy. They also are infectious team members. They ignite the passion in others. They get others to care as much as they do about accomplishing the possible and the seemingly impossible.

My fourth hiring attribute is work ethic. I work hard. I do so because I'm passionate about the work I do, and I feel good when I'm highly productive. I expect the same from the people we hire. We want people who embrace work, who understand that it's not

something you do only to earn a living, but rather something that can help define who you are in this life.

During interviews, I try to get a feel for people who have a strong work ethic. You get that from learning they worked during high school and college, whether they worked weekends, what they sacrificed at times to work instead of play. At some level, work is about sacrifice: giving up some time with your friends or your family to perform your job at the highest possible level of excellence.

Finally, we come to experience. Experience, though important, is the last of the five things I look for because it's something you can provide your staff. We can't give them more intellect, better values, passion, or a strong work ethic. But we can give them experience by providing an opportunity to learn a discipline or a job. That's why we can make a compromise when it comes to experience, but we will never compromise on the first four.

When I recruit talent, I want to be as sure as possible that the person I'm hiring has all of these attributes. That requires patience and work. And then I will do whatever it takes to bring that exceptional person on board. Only last year, I found someone I came to believe would make an ideal chief investment officer for Parkwood Corp., our trust company based in Cleveland that manages the family's interests. This person would eventually succeed me as the person who would have the final say on our investments. I'll let Jon McCloskey tell the story of how he came aboard.

I had to meet Mort five times during the recruitment process over a five-month period—the first time in New York City at his apartment, then in Palm Beach at his home, then in Cleveland, and in Palm Beach again. They were all-day affairs. I slept overnight in his home twice. Honestly, I

wondered what I was going to say for twenty-four hours while with him. At the end, it's the reason I accepted his offer. Mort invests a lot of time in getting it right. He spent the time to get to really know me—no one else ever did.

It was a sign of his true investment in people. All along the way, he was straight and honest. He'd say, "Let the process play out. We'll meet again and I'll let you know if my green light is still on, and you let me know if your green light is on. Once it's red or yellow, we can be big boys and part ways." As it turned out, there never was a yellow or red light.

After four of the five meetings, Mort asked me to come to Cleveland and bring my wife, Alison. I wasn't surprised that it was part of his due diligence. I still didn't have an offer, but clearly Mort was getting ready to give me one. We lived in San Diego, and Mort wanted to make sure my wife would come with her eyes wide open. He didn't want me to come and have my wife not like it and be unhappy. So he was retiring those risks one at a time.

We flew to Cleveland in early January, and when we left San Diego it was seventy-two degrees and sunny. When we reached Cleveland, it was cold and gray, and snow was everywhere. When the plane descended through the clouds, it was like breaking through the atmosphere and going to Mars. I'm thinking to myself, "This is not going well." We rented a car, and I had to scrape the ice off the windshield. The snow was falling so hard I couldn't see the road ahead of me. It was all of ten degrees, and we were in a complete, white-out blizzard.

Mort met us for dinner that evening, and he was super charming. Despite the weather, Alison was sold. She felt so good about the dinner we had with Mort that she impulsively gave him a big hug as we were leaving.

Years ago, the famous management guru Peter Drucker sat down with me and gave me some of the best advice I have ever received. I asked him how we could make our company grow faster. He told me to put my best person on my biggest opportunity.

Skeptical, I asked Peter a tough question: “If my best person is a dentist, would I put him in charge of running a brass foundry?”

Peter didn't hesitate even a moment to answer.

“Yes,” he insisted. “Let me tell you what that dentist will do if he's your best person. He'll walk into that building, tour the plant, and speak to the employees. He'll immediately realize he doesn't know anything about a brass foundry. But he's going to get his people together and figure it out. He'll try to find someone on that team who is highly qualified to run the plant. If he doesn't come up with one, he'll find the best foundry man in the country. The dentist will soon learn how to improve the leadership and the culture and reinforce the values. He'll know the importance you attach to perfect execution and killing oneself for the customer.”

In my view, what makes institutions great is all the soft stuff, which I think is the hardest stuff in business.